



Progress Report to Council: 2016

2015–2020 Strategic Business Plan Implementation

At Seattle Public Utilities, our mission is to deliver efficient and forward-looking utility services that keep Seattle the best place to live. We pledge to meet community and environmental needs by:

- Maintaining some of the nation’s best drinking water
- Preventing sewer backups, flooding, and landslides
- Helping Seattle residents and businesses be recycling leaders, and
- Protecting local waterways and Puget Sound from sewage overflows and polluted stormwater runoff

We do this while always keeping in mind that we need to spend our customers’ money wisely.

2015–2020 STRATEGIC BUSINESS PLAN

Seattle Public Utilities (SPU) worked with customers and employees to develop a Strategic Business Plan (the Plan) to guide our work from 2015 through 2020. The Plan grew out of SPU’s efforts to provide greater rate predictability, while still making important investments for the future. The Plan will ensure reliable utility services to all neighborhoods and communities in our growing city.

The Strategic Business Plan was adopted by the Seattle City Council on August 11, 2014, via Resolution 31534. This resolution also directs SPU to report to the Council on our progress in achieving the goals of the Plan.

QUARTERLY PROGRESS REPORT

This is SPU’s final report to the City Council for 2016. In this, our second year of our six-year Plan, we have many accomplishments to report.

- **Service Level Performance:** We met or exceeded most of our service levels, and we are identifying steps to take to address the areas needing improvement. Pages 2–3 describe our performance in meeting service levels to our customers and regulators.
- **Financial Performance:** We remained within the 4.6 percent endorsed rate path and can demonstrate efficiency savings. As the City Council directed, this report also provides information on the number of SPU employee positions and on consultant expenditures. Pages 4–5 describe our financial performance.
- **Action Item Performance:** Action Items are the tasks we are undertaking to improve our services and increase our efficiency. We met most of our 2016 Action Items goals, and we have identified improvement areas where progress has been delayed. Pages 6–8 provide details on the status of our Action Items.

Service Level Status Report

The Strategic Business Plan includes all of SPU's work. This is represented by the services we provide to our customers and the levels at which we provide these services. Table 1 summarizes SPU's current performance in meeting our service levels. Some highlights are provided below.

MEETING MOST SERVICE LEVEL TARGETS

(Shaded green in Table 1.) Six examples where we are meeting or exceeding our targets are:

- **Limit sewer overflows (#8).** A focused effort on maintaining sewer pipes helped us keep this service level within its operational threshold (and regulatory limit) of four sewer overflows per 100 miles of pipe during a two year rolling calendar. As mentioned in the Action Item section, page 6, we outperformed our 2016 goals for inspecting, cleaning, and rehabilitating sewer pipe, and we kept the sewer overflows to 3.8 overflows per 100 miles of pipe for the biennium. This accomplishment required a tremendous collaboration between field staff, operations and strategy planners, and multiple division directors.
- **Customer billing adjustments (#3).** Our service level target is that at least 98.5 percent of customer bills do not need an adjustment. We have consistently met this target since 2015.
- **Emergency response (#4).** Our service target is to respond to water, drainage, and wastewater emergencies within one hour at least 90 percent of the time. In 2016 we responded within one hour 94.5 percent of the time.
- **Illegal dumping (#15).** We continue to exceed our goal for completing requests for illegal dumping clean-up within 10 days. We completed the requests within 10 days 98 percent of the time; the goal is greater than 80 percent.
- **WMBE consulting and purchasing usage (#23a and b).** SPU's 2016 performance on WMBE consulting and purchasing exceeded its goals. WMBE consulting spending was 18.8 percent of the total spending (goal is greater than 10 percent) and WMBE purchasing was 13.8 percent (goal is greater than 12 percent). We achieved this performance by training our staff on best practices for WMBE inclusion, hosting procurement "coffee hours" to bring vendors, consultants, and SPU project managers and decision-makers together, attending outreach and networking events, and hosting an annual event focused on upcoming projects and opportunities for prime contractors, sub-contractors, and WMBEs.
- **Green stormwater infrastructure capacity (#11).** Throughout the year, we continued to increase the capacity of green infrastructure (raingardens) to manage stormwater. We exceeded our 2016 target of 10 million gallons of capacity and continue to build toward the 2025 citywide goal of 400 million gallons of capacity.

AREAS TO MONITOR

(Shaded yellow in Table 1.)

- **Instream water (#7).** As reported previously, a heavy rain event in February caused instream flow on the Tolt and Cedar Rivers to briefly exceed the threshold for riverbed "scour." The duration of the event was short and no damage was identified. No additional scour events occurred in 2016.
- **Customer phone calls and limiting drinking water outages (#2 and #16).** Both metrics depend on a report from our new customer billing system. The report is anticipated in 2017.

Table 1. Service Level Performance Report—2016

	SPU Services	#	Service Levels	Data Frequency	Target	2016 Performance
Customer Experience	Effective customer service	1	Customers rank their satisfaction with SPU services at least 5 on a scale of 1–7. Last updated in 2015.	Every 4 Years	>5	5.9
		2	% of customer phone calls that do not require subsequent repeat contacts.	Monthly	72%	TBD
		3	% of customer bills that do not require adjustment.	Monthly	98.5%	98.8%
		4	Respond to 90% of priority drinking water, drainage, and wastewater problems within one hour.	Monthly	90%	94.5%
		5	Increase households enrolled in the Utility Discount Program to 22,400 by year-end 2016. - 2016 increase from 2015 YE actuals of 20,799 - Total enrollees at end of 2016	Monthly	22,400	9,344 30,143
Health & Environment	Mountain fresh drinking water	6	Maintain 100% compliance with Department of Health regulations.	Monthly	100%	Yes
		7	Provide instream water for fish and meet other tribal, regional, state, and federal commitments.	Quarterly	Meet commitments	*
	Safe sewage transport to King County treatment plants; drainage that reduces flooding and pollution	8	Limit sewer overflows to no more than four annually per 100 miles of pipe, on a two-year average. - Total overflows in the current biennium - Overflows in current biennium that count toward performance threshold - Year-to-date biennial performance per 100 miles of pipe	Monthly (1 mo. lag)	<114 <4	150 108 3.8
		9	Limit combined sewer overflows to one per outfall per year over a 20-year moving average. - Total overflows per total number of outfalls (86 outfalls total)	Monthly (1 mo. lag)	1.0 by 2025	3.6
		10	Remove 140 tons of pollutants from roads during 2016.	Quarterly	140	158
	Planning for the future	11	To support the Citywide goal of 700 million gallons of runoff managed using Green Stormwater Infrastructure by 2025, SPU has a 2016 target of managing 10 million gallons of stormwater via RainWise rain gardens and cisterns.	Quarterly	10M gallons by year-end	10.3M
		12	Achieve goals for water conservation.	Annually	Achieve goals	Yes
	Effective recycling and composting	13	Increase solid waste recycling to 70% by 2022.	Annually (July)	70% by 2022	58%
	Efficient graffiti removal	14	Clean up graffiti on SPU property and SDOT structures within targeted times at least 90% of the time (10 business days for SDOT structures; six business days for SPU property).	Monthly	>90%	96.7%
	Efficient illegal dumping removal	15	Complete requests for illegal dumping clean-up within 10 business days at least 80% of the time.	Quarterly	>80%	98.0%
Operational Excellence	Mountain fresh drinking water	16	Limit yearly drinking water outages of more than four hours to less than 4% of retail customers.	Monthly	<4%	TBD
		17	Meet obligations in wholesale customer contracts for pressure, flow, and unplanned transmission system outages.	Quarterly	Meet commitments	Yes
	Drainage that reduces flooding and pollution	18	No critical services (e.g., hospitals) are inaccessible due to flooding, except during extreme storm events (events exceeding a 100-year, 24-hour design storm event).	Monthly	Critical services accessible	Yes
	Dependable solid waste pickup	19	Provide reliable solid waste pickup with only one missed pickup for each 1,000 stops.	Monthly	<1	0.4
		20	Limit late container deliveries to a maximum of two per 100 deliveries.	Monthly	<2	1.8
		21	Collect at least 95% of missed solid waste pickups within one business day following notification by customers.	Monthly	≥95%	95%
	All services	22	Stay within the overall 4.6% rate path through 2020.	Annually	4.6%	4.6%
		23a	Meet the aspirational goals for WMBE usage in purchasing and consulting contracts. - 10% consulting	YTD	>10%	18.8%
		23b	- 12% purchasing	YTD	>12%	13.8%

■ On Target
 ■ Needs Discussion
 ■ Significant Variance From Target

* Note: See page 2 for discussion of this service level.

Tracking Finance in More Detail

The 2015–2020 rate path, efficiency savings, and consultant expenditures

RATE PATH

The Strategic Business Plan includes an endorsed average annual rate increase of 4.6 percent through 2020. Since the Plan was finalized in August 2014, the City Council adopted rate increases for each of SPU’s four lines of business. The current rates differ somewhat from the rate paths assumed in the Strategic Business Plan. However, SPU remains on target with the 4.6 percent average annual increase in the overall rate path, as shown in Table 2 below.

Table 2. Projected Rate Paths for Each Line of Business Through 2020

	2015	2016	2017	2018	2019	2020	Average 2015–20
Water	0.0%	1.7%	2.7%	4.5%	4.6%	5.2%	3.1%
Wastewater	0.8%	3.6%	4.6%	2.0%	7.7%	4.5%	4.1%
Drainage	9.8%	9.9%	10.0%	7.6%	11.2%	7.7%	9.4%
Solid Waste	5.1%	3.8%	6.0%	3.1%	3.3%	2.2%	3.9%
Combined	2.9%	4.1%	5.3%	3.8%	6.7%	5.2%	4.6%

Notes: Solid Waste rate path represents average increase assuming new rates are effective April 1 of each year, and they are the weighted average of all services including transfer station and miscellaneous costs. As discussed July 26, 2016, at the City Council’s Civil Rights, Utilities, Economic Development and Arts committee meeting, the proposed rate increase for residential and commercial customers would result in a weighted average increase of 6.0 percent in 2017, 3.1 percent in 2018, and 3.3 percent in 2019. Drainage and Wastewater rate paths include the assumed increases in the King County sewer treatment charges.

EFFICIENCY AND PROGRAMMATIC SAVINGS

The Strategic Business Plan commits SPU to a set of efficiency and programmatic savings. These savings reduce baseline costs while preserving service levels and provide funding capacity for new investments. The dollars associated with the savings have already been removed from SPU’s budget and rates.

SPU’s 2016 efficiency savings target is \$2.4 million in salary savings. We achieved \$1.96 million of the target amount. Currently, we are working to quantify additional programmatic savings totals and expect to report on them in 2017.

STAFF POSITION COUNT AND CONSULTANT EXPENDITURES

Resolution 31534 directs SPU to track and report on the number of SPU positions and consultant expenditures. The intent of this request is to ensure SPU is not supplanting staff work with consultants.

Position Count. During the Strategic Business Plan's development in 2014, SPU's position count was 1,432. At year-end 2016, SPU's position count was 1,345. As shown in Table 3 below, this includes 22 positions added by the City Council in the 2016 budget process, 107 positions transferred to Seattle IT, two Summit reimplementation positions added in the City's Second Quarter Supplemental Ordinance #125119, and three Supported Employment Program positions transferred into SPU in May and November, 2016.

Consultant Expenditures. To meet our business needs, SPU hires consultants for a variety of purposes. In developing consultant contracts, one standard procedure SPU staff follow is to verify there are not available in-house resources to do this work. Typically, SPU hires consultants if there is either a lack of in-house expertise or insufficient in-house resources or production capacity.

Most SPU consultant contracts are for architectural and engineering services. This includes designers for major infrastructure projects, technical support for project controls, and specialized expertise for technical studies.

Table 4 compares SPU's 2014, 2015 and 2016 consultant expenditures.

Table 3. 2014–2016 Staff Positions

2014 Position count	1,432
2015 Position count	1,425
Plus: New positions (2016 Adopted Budget)	22
Less: Seattle Information Technology transfers	-107
Plus: New positions (Ord. 125119, Oct)	2
Plus: Office/Maintenance Aide transfer (May and Nov)	3
Year-end 2016 position count	1,345

Table 4. Consultant Expenditures 2014–2016 by Fund

Funds	2014			2015			2016		
	CIP	O&M	Total	CIP	O&M	Total	CIP	O&M	Total
Drainage and Wastewater	\$15,529,156	\$4,362,982	\$19,892,137	\$12,814,803	\$3,618,000	\$16,432,803	\$15,540,036	\$2,632,739	\$18,172,774
Solid Waste	\$3,116,067	\$1,546,830	\$4,662,898	\$2,817,482	\$1,413,035	\$4,230,518	\$2,864,067	\$1,348,845	\$4,212,912
Water	\$5,661,526	\$1,481,223	\$7,142,749	\$3,901,983	\$1,963,235	\$5,865,218	\$3,498,068	\$1,787,528	\$5,285,596
Grand Total	\$24,306,749	\$7,391,035	\$31,697,784	\$19,534,268	\$6,994,271	\$26,528,539	\$21,902,170	\$5,769,112	\$27,671,282

Notes: Expenditures are based on postings in the Summit financial system. The 2014 data was adjusted to remove payments for water treatment plant operations; they are not consultant expenditures. The 2015 expenditures were lower than 2014 expenditures largely due to several capital projects moving into their construction phase.

Action Items Status Report

How are we doing on the tasks to improve services and efficiency?

This section summarizes our progress on the Action Item commitments in the 2015–2020 Strategic Business Plan. We have overall goals as well as annual goals for each Action Item. Table 5 shows details on the overall and fourth quarter progress for 17 key Action Items. Below are some highlights.

We met most of our 2016 goals. Examples include:

(Shaded green in Table 5.)

• **Improvements to the City’s sewer system (#4 Sewer inspection, #5 Sewer rehabilitation, #6 Sewer pipe cleaning).**

- SPU is undertaking three specific sewer improvement efforts: sewer inspection, sewer cleaning, and sewer rehabilitation. All three projects made significant progress this year, exceeding their 2016 goals. More than just an exercise in routine maintenance, inspections help us identify pipes that are damaged or under-functioning and possibly contributing to sewer backups and sewer overflows into public areas and Seattle’s waterways. Pipe cleaning and rehabilitation helps the whole system function more effectively. In 2016, we inspected 210 miles of pipe, cleaned 569 miles of pipe, and spent more than \$16 million rehabilitating pipe.

Our 2016 progress on these projects was significant and exceeded our initial expectations. We are recalculating our progress toward the projects’ overall (multi-year) goals and will have an update in 2017. See Table 5 for more information.

- **Seismic vulnerability (#10).** In 2016, we made significant progress toward having a fully developed plan to protect the drinking water system from earthquake damage. The hazards and facilities assessment reports were completed, and the pipeline assessment report is underway. Completion of the overall study is expected in early 2017.

Table 5. Progress on Key Action Items by Strategic Focus Area

SPU Service	2015–2020 Overall Goal	2016 Goal & Fourth Quarter Progress	% 2015–2020 Work Complete Met 2016 goal?	
Focus Area: Customer Experience: Making it easier to get help and find answers				
Effective customer service	1. Development Services Office (DSO) Centralize and streamline SPU’s permit, service, and sales functions for customers undertaking property-development work.	Goal: DSO customers understand SPU’s process and recommend improvements; they receive better customer service. To date , we significantly improved online tools for property developers, including the Taps Tracker and the Water and Sewer Map . Respectively, these allow developers to monitor the progress of their development applications through SPU’s review process and to independently check on the existence of utility pipes adjacent to their development properties.	Yes	50–75%
	2. Service Equity Ensure all communities and customer groups have equitable access to—and ability to use—SPU services.	Goal: Establish Equity Teams in each of SPU’s branches and partner with three community organizations. To date , we are partnering with four nonprofit organizations and the Department of Neighborhoods to engage customers on SPU’s strategic plan update. Equity teams have been established and are functioning across all of SPU’s branches.	Yes	0–25%
Focus Area: Operational Excellence: Improving how we work to deliver consistent, high-quality services				
Safe sewage transportation to King County treatment plants; flooding & pollution reduction	3. Broadview Drainage and Wastewater Accelerate flooding and sewer backup prevention projects in the Broadview neighborhood.	Goal: Request project funding for design and construction in the highly impacted areas. To date , preliminary engineering work continues for Dayton Ave N sewer improvements. Also, the contract amendment process continues for design work on the 12th Ave NW drainage improvement work.	Yes	0–25%
	4. Sewer Inspection Implement a sewer pipe assessment and inspect all pipes by 2026. This will guide future pipe replacement and repair work.	Goal: Develop a condition assessment strategy and inspect 190 miles of pipe. To date , we inspected 219 miles of pipe in 2016.	Yes	TBD See Note 1.
	5. Sewer Rehabilitation Increase the number of miles of sewer pipe restored; do restoration more efficiently.	Goal: Invest \$14 million in rehabilitation projects and update the sewer rehabilitation strategy. To date , we exceeded the 2016 investment goal and are developing a rehabilitation strategy, focused on pipe inspections. We spent \$16 million in 2016.	Yes	25–50%
	6. Sewer Pipe Cleaning Complete system-wide sewer pipe cleaning by 2022.	Goal: Clean 300 miles of pipe. To date , we cleaned 569 miles of pipe in 2016.	Yes	TBD See Note 1.
	7. Drainage and Wastewater Master Plan Complete citywide master plans for the drainage and wastewater systems.	Goal: Complete project management plans for both systems and begin developing the Wastewater Master Plan. To date , we are incorporating management feedback into the project scope and revising its charter.	No	0–25%
	8. South Park Drainage and Wastewater Plan drainage improvements and construct them as financially feasible to reduce chronic flooding in the South Park neighborhood.	Goal: Complete development of drainage conveyance system options. To date , we continue to address issues related to the street-end vacation for the pump station. For the conveyance work, we are developing design options, and we are piloting testing for the water quality facility.	Yes	25–50%
	9. Drainage and Wastewater Policy Development Complete formal policy recommendations on critical drainage and wastewater issues.	Goal: Finalize policy work from 2015 and develop policies on eight additional issues by year end. To date , nine policy projects are underway, and eight policy recommendations have been submitted. Approval briefings for two policies are scheduled with the General Manager/CEO in February.	Yes	25–50%

■ On Target
 ■ Needs Discussion
 ■ Significant Variance From Target

SPU Service	2015–2020 Overall Accomplishment	2016 Goal & Fourth Quarter Progress	% 2015-2020 Work Complete Met 2016 goal?	
Mountain-fresh drinking water	10. Seismic Vulnerability Develop a plan to protect the drinking water system from earthquake damage.	Goal: Substantially complete the study and develop recommendations for capital and operational implementation. To date, the consultant completed the hazards and facilities assessment memos; a pipeline assessment memo is underway. Project completion is anticipated in 2017.	No	50–75%
Effective customer service	11. Billing Meters Centralize SPU's water meter management functions and improve replacement and repair services.	Goal: Centralize meter management and increase the amount of testing of large retail meters. To date, the strategy for inspecting about 1,700 large, retail meters is completed. Implementation is slower than expected due to higher priority field work, e.g., West Seattle pipe flushing, goose-neck inspections, the Western Ave watermain break, and Lake Forest Park and Shoreline hydrant inspections.	No	0–25%
All	12. Revenue Recovery Establish clear and predictable charges for customers requesting a range of services, such as meter testing, new water tap installation, and turning water service on or off.	Goal: Revise pricing methods and charges for developer and water-related services. To date, we have assessed and revised our pricing methodologies and charges for multiple developer services and other water-related services.	Yes	50–75%
	13. Performance Metrics Establish an SPU-wide performance metrics tracking system to help us assess how well we meet our service delivery goals and to help us continuously improve business processes.	Goal: Build the framework and dashboards based on three representative metrics from each division that provide insight into SPU's business and opportunities for improvement. To date, we completed collection of three metrics from each division, SPU-wide, and we expect to present a dashboard and framework based on those metrics in early 2017.	Yes	25–50%
	14. Service Equity Toolkit Ensure all communities and customer groups have equal access, service delivery, and ability to use SPU's services.	Goal: Apply the Racial Equity Toolkit to four Utility activities. To date, the toolkit was applied to seven SPU activities in 2016.	Yes	0–25%
Ready for emergencies	15. Emergencies & Disasters Create and implement a comprehensive plan for maintaining and restoring essential services during an emergency.	Goal: Complete a draft outline of the plan and begin gathering data. To date, work on the Comprehensive Emergency Plan continues into the second quarter of 2017 and Emergency Operations planning is progressing.	Yes	50–75%
Focus Area: Health and Environment: Better protecting your health and our environment				
Planning for the future	16. Climate Change Adaptation & Resiliency Make SPU business-ready to anticipate and effectively respond to climate change.	Goal: Complete climate modeling analyses and historic precipitation studies; issue a Request for Proposals for developing drainage and wastewater adaptation strategy. To date, we are working with the DWW LOB to complete the precipitation intensity, duration, and frequency (IDF) analysis; we expect substantial progress in 2017.	No	0–25%
	17. Energy Management & Carbon Neutrality Implement a strategy to reduce or offset greenhouse gases produced by SPU's business practices.	Goal: Complete the 2014 and 2015 greenhouse gas (GHG) inventories and the carbon neutrality portfolio. To date, with our new analytical staff, we're making good progress in identifying sources and methods for collecting energy use data on SPU's facilities, metered infrastructure, and fleet.	No	0–25%

■ On Target
 ■ Needs Discussion
 ■ Significant Variance From Target

Note 1: The 2016 progress on the sewer projects (#4, #5, #6) was significant and exceeded our initial 2016 goals; we are recalculating our progress toward the projects' overall (multi-year) goals and will update the information in 2017.